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State health-care system unraveling

INSURANCE: Blue Shield CEO pushes universal coverage

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The head of one of California's largest insurance companies said Tuesday that the state should provide health coverage for all residents -- creating a system that could become a model for universal health care nationwide.

"The current system for covering the uninsured is inefficient and unfair," Bruce Bodaken, chief executive officer of Blue Shield of California, told a capacity crowd at the Commonwealth Club, a public affairs forum in San Francisco.

Bodaken, who heads a nonprofit insurer with 2.6 million members, proposed a plan that would amalgamate public and private systems.

The proposal comes amid a growing belief around the country that the health care system is badly broken and in need of radical change.

Alarmed by spiraling costs and increasing numbers of uninsured people, the National Academy of Sciences bluntly said as much to President Bush last month.

Politicians on both the national and state level are exploring how to extend health insurance to the uninsured, but are struggling with the thorny issue of cost.

One in seven Americans, or 41 million people, lack health coverage. In California, one in five residents, or 6.3 million Californians, is uninsured -- the third highest rate in the nation.

Bodaken's idea would require large employers to offer coverage for their employees, exempting smaller firms; enroll eligible Californians in Medi-Cal or Healthy Families (which insures children of poor families that don't qualify for Medi-Cal); and require all other uninsured Californians to purchase coverage. Such coverage would be guaranteed regardless of pre-existing conditions and subsidized by the state for those who couldn't afford it. The plan calls for independent medical professionals to specify a minimum level of coverage for preventive care, doctor and hospital services and prescription drugs; those who wished could "buy up" for more-extensive services.

Bodaken said he didn't have an easy answer to the big question: how to pay for the plan. He said Blue Shield would finance an independent study to evaluate various options, which most likely would boil down to a broad-based tax or fee.

TEST MARKET IN CALIFORNIA

If universal health care were implemented in California, the state could serve as a test market for the nation. The National Academy of Sciences urged Bush last month to use some states as testing grounds for such solutions as universal health coverage and no-fault payment for medical malpractice.

Three potential Democratic candidates for president -- Al Gore, Sen. John Kerry of Massachusetts and Sen. John Edwards of North Carolina -- are proposing universal health care. Gore supports the more radical single-

payer system, essentially Medicare for everyone. Sen. Edward Kennedy, D-Mass., soon will propose a plan for universal health insurance.

In an interview, Bodaken said Blue Shield will talk to other insurers, health care providers, consumers and legislators about crafting solutions for universal health care.

A spokeswoman for the California Healthcare Association, which represents the state's 500 hospitals, said Bodaken's proposal is intriguing.

"The hospital association would be interested in exploring his ideas," said Jan Emerson. "For some time, our internal discussions have debated the idea of universal coverage from a private-sector approach and having employers play a role."

Similar movements are already under way in the state Legislature. State Sen.

Sheila Kuehl, D-Santa Monica, plans to introduce sweeping legislation for universal health care, while state Sen. Jackie Speier, D-Hillsborough, and Assemblyman Keith Richman, R-Granada Hills, also plan to propose health care reforms.

Russ Lopez, a spokesman for Gov. Gray Davis, said the governor would consider universal health coverage only after legislation reached him.

"It depends on how much it's going to cost, who's going to pay for it, how it will be paid for," Lopez said. "Of course it's in the best interests of Californians to all have health coverage, but getting there will be the issue."

Bodaken said some of the cost would be offset by more-efficient care, requiring those who can afford it to chip in, and catching health problems early. Many insured people currently wait until their illnesses reach crisis point and then go to the emergency room, which drives up costs. About 1.7 million of the uninsured already qualify for government programs like Medi-Cal and Healthy Families, he said.

Still, the tab probably would be hefty.

Laurence Baker, an associate professor of health research and policy at Stanford University, said annual health insurance costs roughly \$2,500 per individual. That means covering the 6.3 million uninsured Californians would total \$15.75 billion. Nationally, covering the 41 million uninsured people would add up to more than \$100 billion.

FORESIGHT AND WISDOM

"For a major insurer to get out and say we want to do something to improve the system shows a lot of foresight and wisdom," Baker said. "I applaud it. However, the devil is in the details. How you work this out is an important thing with a lot of specifics."

Bodaken said his plan was motivated by altruism. "I suspect folks will suggest this is self-serving," he said in an interview. "It really isn't. Blue Shield and most health insurers in the state and nationwide are doing pretty well under the current system."

Still, he added, "If we add 6 million Californians to insurance plans, Blue Shield is going to get its fair share."

Some critics of the insurance industry had a differing interpretation.

"General Motors would love everybody to be mandated to buy a car, but it's not the best public policy," said Jamie Court, executive director of the Foundation for Taxpayer and Consumer Rights in Santa Monica. "There's no surprise a (health insurance) executive would want a law compelling every citizen to buy his product. The surprise would be if that executive actually was willing to submit to public control over the cost the company charges."

Bodaken said market competition would contain insurance premiums.

Walter Kopp, president of Medical Management Services, a San Anselmo health care consultancy, said he thinks Bodaken's proposal is fair.

"He's not proposing a Medicare (single-payer) plan; he's proposing mandatory health insurance," Kopp said. "I think that makes sense. It keeps the employers in the game and still empowers the consumer. It requires that everyone bear their fair share of the health care cost."

Bodaken and others said his proposal might be more palatable to consumers and politicians than a single-payer system similar to that in Canada. Oregon voters overwhelmingly rejected such a plan last month, in large part because it would have required a 17 percent hike in the state income tax.

The mounting urgency about health care inspires déjà vu in many experts. The current situation resembles that in the early 1990s when Hillary Rodham Clinton spearheaded a proposal that would have guaranteed health insurance for all Americans. That proposal never even made it to a vote in either the House or Senate, torpedoed in 1994 by the perception that it would limit choice.

But since then, insurers have adopted managed care, which many perceive as limiting choice anyway. Consumers have had to pick up most of the tab for spiraling costs, with private insurance rising more than 12 percent annually.

At the same time, the number of uninsured people is growing.

"Studies show that for every 1 percent increase in health insurance costs, 300,000 more people join the ranks of the uninsured," Bodaken said.